

## Message Text

CONFIDENTIAL

PAGE 01 CARACA 02597 01 OF 02 171741Z POSS DUPE  
ACTION ARA-14

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01  
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15  
USIA-06 AID-05 TRSE-00 OMB-01 DOE-11 SOE-02  
COME-00 EB-08 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01  
/115 W

-----030335 180529Z /11

R 171619Z MAR 78  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC 1605  
INFO AMEMBASSY BOGOTA  
AMEMBASSY BRASILIA  
AMEMBASSY VIENNA  
USCINCLANT  
USCINCSO QUARRY HEIGHTS

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 2597

E.O. 11652: GDS  
TAGS: PINT, PINS, EFIN, ENRG, ECON, PEPR, ELAB, BR, VE  
SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 2084 (NOTAL)

SUMMARY. INFORMATION MINISTER ARRIA PREPARES TO JOIN  
RACE FOR THE PRESIDENCY. VENEZUELA'S OIL INCOME DROPS  
IN FIRST TWO MONTHS OF 1978. VENEZUELA EXPERIENCES  
CURRENT ACCOUNT DEFICIT IN 1977. FOREIGN MINISTER BRIEFS POLITICAL  
PARTIES ON AMAZON PACT NEGOTIATIONS. PROPOSED NEW LABOR LAW  
TEMPORARILY SHELVED. SHOOTING DEATHS OF TWO STUDENTS CAUSES  
LITTLE COMMOTION. INDEPENDENT PRESIDENTIAL CANDIDATE RENNY  
OTTOLINA REPORTEDLY ABOARD MISSING AIRCRAFT. END SUMMARY.

1. DIEGO ARRIA IS BACK IN THE PRESIDENTIAL RING.  
CONTRARY TO PREVIOUS SPECULATION, INFORMATION MINISTER DIEGO  
ARRIA WILL LEAVE HIS POST SOON. THERE IS A GOOD CHANCE THAT,  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CARACA 02597 01 OF 02 171741Z POSS DUPE

AGAINST THE WISHES OF HIS MENTOR PRESIDENT PEREZ, HE WILL LAUNCH  
AN INDEPENDENT PRESIDENTIAL CAMPAIGN. ARRIA HAD RUN UP SOME TRIAL  
BALLOONS LAST SUMMER, BUT THEN APPARENTLY HAD DECIDED TO FOREGO  
AN INDEPENDENT CAMPAIGN THIS YEAR AT THE BEHEST OF PEREZ. IT WAS  
GENERALLY BELIEVED THAT ARRIA HAD AGREED TO DO SO ON THE  
CONDITION THAT HE AND PEREZ WOULD MOVE TOGETHER TO TAKE OVER A POST-  
BETANCOURT AD PARTY. NOW, HOWEVER, ARRIA IS APPARENTLY CONVINCED THAT

WITH OR WITHOUT BETANCOURT, THE PRESENT AND FUTURE AD LEADERSHIP WILL NEVER ACCEPT HIM. HIGHLY AMBITIOUS, HE BELIEVES HE MUST MOVE NOW, WHEN HIS POPULARITY IS NEAR ITS ZENITH.

COMMENT: SHOULD ARRIA RUN, HE WILL QUEER HIMSELF FOREVER WITH THE AD PARTY. ARRIA'S GOAL IS BOTH TO RETAIN HIGH VISIBILITY AND TO COLLECT ENOUGH CONGRESSIONAL SEATS (HE WOULD HAVE A SMALL PERSONAL GROUP WHICH WOULD PRESUMABLY RUN FOR CONGRESS AS WELL) TO BECOME AN IMPORTANT INDEPENDENT FORCE IN THE NEXT CONGRESS, PARTICULARLY IF AD DOES NOT WIN MAJORITIES IN BOTH HOUSES. HE COULD THEN BUILD HIS BASE FROM THERE.

2. VENEZUELA'S OIL INCOME DOWN \$100 MILLION IN FIRST TWO MONTHS OF 1978.

ACCORDING TO CENTRAL BANK STATISTICS PUBLISHED THIS WEEK, FOREIGN EXCHANGE INCOME DURING JANUARY AND FEBRUARY OF THIS YEAR FROM THE SALE OF PETROLEUM AND PETROLEUM PRODUCTS ABROAD TOTALLED \$1,068 MILLION, DOWN \$103 MILLION FROM THE SAME PERIOD LAST YEAR. THIS DEVELOPMENT WAS ATTRIBUTED IN PART TO A REDUCTION IN THE VOLUME OF SALES DURING THE PERIOD IN QUESTION. (THIS PROBABLY ALSO REFLECTS INCOME FROM REDUCED SALES DURING NOVEMBER AND DECEMBER, GIVEN THE 30 TO 60-DAY LAG BETWEEN ACTUAL SALES AND PAYMENT.) NEVERTHELESS, TOTAL FOREIGN EXCHANGE INFLOWS DURING THE TWO MONTH PERIOD IN 1978 AMOUNTED TO \$1,903 MILLION, OR 388 MILLION MORE THAN THE FIRST TWO MONTHS OF LAST YEAR. ALTHOUGH CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CARACA 02597 01 OF 02 171741Z POSS DUPE

THE REPORT DIDN'T ALLUDE TO THIS, VENEZUELA SIGNED AND BEGAN TO DRAW DOWN ON A \$1.2 BILLION INTERNATIONAL LOAN WHICH SHOULD HAVE BUOYED THE FOREIGN EXCHANGE INFLOW FIGURE TO A CONSIDERABLE EXTENT. NONETHELESS, ACCORDING TO THE CENTRAL BANK'S FIGURES, OUTFLOWS OF FOREIGN EXCHANGE DURING THE PAST TWO MONTHS TOTALLED \$2,359 MILLION, RESULTING IN DEFICIT OF \$456 MILLION. AS A RESULT THE CENTRAL BANK'S FOREIGN EXCHANGE RESERVES STOOD AT \$7,689 MILLION AT THE END OF FEBRUARY, DOWN \$456 MILLION SINCE DECEMBER 31, 1977, AND DOWN \$1,494 MILLION SINCE JULY 31, 1977.

3. VENEZUELA EXPERIENCES CURRENT ACCOUNT DEFICIT IN 1977.

ACCORDING TO INFORMATION RELEASED CONCURRENTLY WITH PE PRESIDENT'S ADDRESS TO THE CONGRESS (CARACAS 2456) VENEZUELA EXPERIENCES A CURRENT ACCOUNT DEFICIT OF \$408 MILLION IN 1977. THIS IS THE FIRST SUCH DEFICIT SINCE 1972. THE GOV NOW ESTIMATES THAT EXPORTS (FOB) TOTALLED \$9,939 MILLION IN 1977, UP \$520 MILLION FROM 1976. AS IN PREVIOUS YEARS, APPROXIMATELY 95 PERCENT OF THIS REVENUE RESULTED FROM THE SALE OF PETROLEUM AND PETROLEUM PRODUCTS ABROAD. IMPORTS ROSE 34 PERCENT IN 1977 TO \$8,787 MILLION. THUS VENEZUELA'S TRADE BALANCE WAS IN SURPLUS IN 1977 IN THE AMOUNT OF \$1,152 MILLION, DOWN FROM \$2,875 MILLION

IN 1976.THE ABOVE DATE ARE PRELIMINARY AND SUBJECT TO CORRECTION.

4. FOREIGN MINISTER BRIEFS POLITICAL PARTIES ON AMAZON PACT  
NEGOTIATIONS.

ON MARCH 15, THE SECRETARY GENERALS OF THE MAJOR POLITICAL  
PARTIES WERE BRIEFED BY FOREIGN MINISTER CONSALVI AND OTHER  
FOREIGN MINISTRY OFFICIALS ON THE CURRENT STATUS OF NEGOTIATIONS  
WITH BRAZIL ON THE PROPOSED AMAZON BASIN DEVELOPMENT ACCORD.THE  
FOREIGN MINISTRY ALSO ANNOUNCED THAT THESE BRIEFINGS WOULD  
CONTINUE ON A PERMANENT BASIS AND WOULD FORM THE INFORMATION EXCHANGE  
MECHANISM BETWEEN THE FOREIGN MINISTRY AND THE POLITICAL PARTIES.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 CARACA 02597 02 OF 02 180458Z

ACTION ARA-14

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01

INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15

USIA-06 AID-05 TRSE-00 OMB-01 DOE-11 SOE-02

COME-00 EB-08 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01

/115 W

-----037227 180528Z /11

R 171619Z MAR 78

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 1606

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY VIENNA

USCINCLANT NORFOLK VA

USCINCSO QUARRY HEIGHTS

C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 2597

COMMENT: THE FOREIGN MINISTRY LAST MONTH BRIEFED THE  
PRESIDENTIAL CANDIDATES ON THE MARITIME BOUNDARY AGREEMENT  
DUE TO BE SIGNED AT THE END OF THIS MONTH WITH THE  
NETHERLANDS ANTILLES. THESE BRIEFINGS ARE PART OF A CONTINUING  
EFFORT ON THE PART OF THE MINISTRY TO BUILD MULTI-PARTY SUPPORT FOR  
THE ADMINISTRATIONS FOREIGN POLICY INITIATIVES, PARTICULARLY THOSE  
OF A LONG RANGE NATURE.

5. PROPOSED NEW LABOR LAW SHELVED TEMPORARILY

THE GOV HAS DECIDED TO POSTPONE UNTIL AFTER THE ELECTIONS  
CONSIDERATION OF A NEW LABOR LAW WHICH WOULD REPLACE THE

CONTROVERSIAL "LAW AGAINST UNJUSTIFIED DISMISSALS." CRITICS OF THE EXISTING LAW CLAIM IT ENCOURAGES WORKERS TO COURT DISMISSAL BY PROVIDING DOUBLE THE NORMAL SEVERANCE BENEFITS IF A WORKER IS UNJUSTIFIABLY FIRED. THE PROPOSED NEW LAW WAS PROMOTED BY THE FEDERATION OF CHAMBERS OF COMMERCE (FEDECAMARAS) AND WAS INTRODUCED AS A MAJOR INITIATIVE LAST JANUARY IN THE LABOR MINISTER'S ANNUAL CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CARACA 02597 02 OF 02 180458Z

NEW YEAR'S SPEECH (CARACAS 165). INITIAL TRADE UNION REACTION WAS POSITIVE, PARTICULARLY IN REFERENCE TO THE PROPOSED STREAMLINING OF THE LITIGATION PROCESS. HOWEVER, OVER THE INTERVENING MONTHS TRADE UNION RESISTANCE TO THE PROPOSAL HAS GROWN, LED BY THE LEFTIST MEP, MAS AND MIR PARTIES. FINALLY, ON MARCH 15 THE CONFEDERATION OF VENEZUELAN WORKERS ADDED ITS CRITICISM TO THE PROPOSED LAW FOLLOWING THE GOVERNMENT'S DECISION TO SHELVE IT WHILE FEDECAMARAS ATTACKED THE POSTPONEMENT.

COMMENT: THE PROPOSED LABOR STABILITY LAW MADE SENSE IN ITS EFFORT TO DISCOURAGE WORKER-PROVOKED DISMISSALS, BUT THE OPPOSITION IT HAS GENERATED DEMONSTRATES THE DIFFICULTY IN TURNING THE CLOCK BACK ON LABOR LEGISLATION. THE CTV, DOMINATED BY THE RULING ACCION DEMOCRATICA PARTY, ACQUIESCED TO THE PROPOSED IN LOYALTY TO THE GOVERNMENT, BUT FINALLY HAD TO BOW TO PRESSURE FROM THE LEFTISTS WHOSE OPPOSITION TO THE NEW LAW UNDOUBTEDLY HAD CONSIDERABLE RANK AND FILE SUPPORT.

#### 6. SHOOTING DEATHS OF TWO STUDENTS CAUSES LITTLE COMMOTION

THE TROUBLESOME STUDENT SECTOR CONTINUES TO PLAGUE THE GOV AS ONE STUDENT WAS SHOT TO DEATH IN MARACAIBO MARCH 13 AND ANOTHER IN CARACAS MARCH 14. POLICE OFFICIALS ARE SUSPECTED OF HAVING FIRED THE SHOTS IN BOTH INCIDENTS. THE CARACAS DEATH PRECIPITATED THE BURNING OF A TRUCK AND SEVERAL MINOR DEMONSTRATIONS WHICH LOCAL AUTHORITIES QUICKLY DISPERSED. MEANWHILE, A NATIONWIDE ASSEMBLY OF TEACHERS MET IN CARACAS MARCH 15 TO DEAL WITH PROBLEMS OF THEIR OWN. THE TEACHERS ARE REQUESTING A 40 PERCENT PAY RAISE TO COMPENSATE FOR THE EFFECTS OF INFLATION. THEY STAGED A PEACEFUL PROTEST IN FRONT OF THE EDUCATION MINISTRY TO ACCENT THEIR DEMAND.

COMMENT: THE WAVE OF STUDENT PROTESTS AFTER THE FEBRUARY 14 DEATH OF A SAN FELIPE STUDENT FADED DURING THE FIRST WEEK  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CARACA 02597 02 OF 02 180458Z

IN MARCH (SEE CARAS 1639). THESE NEW SHOOTINGS DO NOT APPEAR TO HAVE SET FURTHER FURTHER WIDESPREAD DEMONSTRATIONS IN MOTION. THE UNDERLYING CURRENT OF DISCONTENT WITH THE EDUCATIONAL SYSTEM

REMAINS, HOWEVER, OTH IN THE STUDENT COMMUNITY AND, FOR OTHER REASONS, IN CERATIN GROUPS OF TEACHERS (SEE CARACAS 1663).

7. INDEPENDENT PRESIDENTIAL CANDIDATE RENNY OTTOLINA ABOARD MISSING PLANE.

SKETCHY PRESS REPORTS INDICATE THAT RENNY OTTOLINA, THE POPULAR TV AND RADIO PERSONALITY RUNNING FOR THE PRESIDENCY AS AN INDEPENDENT, WAS ABOARD A SMALL PLANE WHICH FAILED TO ARRIVE AT MARGARITA ISLAND AFTER SENDING DISTRESS SIGNALS MARCH 16. CONFLICTING REPORTS CLAIM RADIO SIGNALS WERE RECEIVED FROM A SMALL NEARBY ISLAND AND THAT TWO WITNESSES SAW THE PLANE CRASH INTO THE SEA. PRESIDENT PEREZ HAS ORDERED MAXIMUM SEARCH AND RESCUE EFFORTS.

COMMENT: OTTOLINA, A VENEZUELAN HOUSEHOLD FIXTURE, IS A POSSIBLE INDEPENDENT PRESIDENTIAL CANDIDATE. HOWEVER, HE HAS THUS FAR FAILED TO GATHER ENOUGH SIGNATURES TO REGISTER HIS PARTY, THE MOVEMENT FOR NATIONAL INTEGRITY (MIN), FOR THE NATIONAL ELECTIONS IN DECEMBER.

8. OTHER REPORTING THIS WEEK INCLUDED A PREVIEW OF PRESIDENT PEREZ' STATE OF THE NATION ADDRESS (CARACAS 2372), THE SECURITY COUNCIL DEBATE ON RHODESIA (CARACAS 2376), THE VISIT OF GDR FOREIGN MINISTER TO VENEZUELA (CARACAS 2420), CUBAN OUTREACH IN THE CARIBBEAN (CARACAS 2421), THE PRESIDENT'S ADDRESS TO THE CONGRESS ON MARCH 10 (CARACAS 2456), DRAFT JOINT COMMUNIQUE FOR THE PRESIDENTIAL VISIT (CARACAS 2466), PLO: MONSIGNOR CAPUCCI SPEAKS ON POSSIBLE RELATIONS BETWEEN PLO AND GOV AND A PLO DEPUTY REPRESENTATIVE TO THE UN VISITS CARACAS (CARACAS 2428), PREMIER GEORGE PRICE OF BELIZE VISITS CARACAS (CARACAS 2427), PRESIDENTIAL VISIT: TRADE AND INVESTMENT TALKING POINT (CARACAS 2328), PRESIDENTIAL VIEWS ON OPEC ISSUES (CARACAS 2459), OIL COMPANY PROBLEMS: COMMENTS BY PRESIDENT PEREZ (CARACAS 2493), AND CIVAIR; GOV DISSATISFACTION WITH CONFIDENTIAL

CONFIDENTIAL

PAGE 04 CARACA 02597 02 OF 02 180458Z

RESULTS OF WASHINGTON CIVIL AVIATION TALKS (CARACAS 2527).  
VAKY

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLITICAL SUMMARIES, POLITICAL SITUATION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978CARACA02597  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780120-0518  
**Format:** TEL  
**From:** CARACAS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780356/aaaabvfw.tel  
**Line Count:** 265  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 509d17c5-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 CARACAS 2084  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 08 jul 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3295657  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** THIS WEEK IN VENEZUELA  
**TAGS:** PINT, PINS, EFIN, ENRG, ECON, PEPR, ELAB, BR, VE  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/509d17c5-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014